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## ARIZONA CORPORATION COMMISSION

May 31, 2002

Dear Parties in Docket Nos. E-00000A-02-0051, et al.:

In Staff's Request for a Procedural Order, dated May 13, 2002, Staff's proposed Track B schedule indicated that, on May 31, 2002, Staff would issue a list of issues upon which we would like the parties to comment. Attached to this letter is that list of issues.

Please provide comments on these issues and on any other issues no later than **June 28, 2002**. Please file your comments with Docket Control, 1200 West Washington, Phoenix, Arizona 85007.

If you have any questions on this matter, please contact me at (602) 542-0745.

Sincerely,

Ernest G. Johnson  
Director  
Utilities Division

EGJ:bek

## List of Track B Issues

1. **What types of competitive solicitation process(es) should be utilized?**
  - a. When should the competitive solicitation process begin?
  - b. How will the competitive solicitations be disseminated?
  - c. What percentage of a utility's power requirements should be obtained through the competitive solicitation process?
  - d. Should the percentage of a utility's power requirement obtained through the competitive solicitation process be established at one time or should it be phased-in?
  - e. How will the competitive solicitation percentage be calculated?
  - f. Will a utility be subject to penalties if it does not meet the competitive solicitation percentage?
  - g. If a utility exceeds the annual competitive solicitation percentage, will the excess carry over to next year?
  - h. What requirements, if any, should be imposed on the purchase of power that is obtained outside of the competitive solicitation process?
  - i. What are the time frames for initiating and completing the steps of the competitive solicitation process?
  - j. Who will determine the components of each utility's portfolio of competitively solicited purchases?
  - k. What are the criteria and process for determining which offer(s) in response to competitive solicitations should be selected by a utility?
  - l. What mechanism will be in place for dispute resolutions related to competitive solicitations?
  - m. What protections will be in place to maintain the confidentiality of utility and participant information?
  - n. In the event that a supplier of power defaults on the obligation to provide the power, how will replacement energy be obtained?
  - o. How should the competitive solicitation process factor alternative delivery and transmission points?
  - p. Will the competitive solicitation process utilize the "Western Systems Power Pool umbrella agreement" or similar agreements?
  - q. What are the appropriate contract duration periods?
  - r. What are the appropriate delivery dates?
  - s. Will demand-side management options be allowed to compete?
  - t. Will the costs for local transmission upgrades for proposed projects be directly assigned to each bid or included as general transmission costs?
  - u. Will there be a price ceiling for bids?
  - v. Will there be a maximum limit on the number of MW bid by an entity?
  - w. How will the competitive solicitation process be evaluated for future improvements?

- x. Will the utilization of this process(es) develop an optimal portfolio resulting in the best price.
- 2. What types of products will be subject to competitive solicitation?**
- a. Will the competitive solicitation process include financial and physical options?
  - b. Will the competitive solicitation percentage include standard block purchases through a broker or power pool?
  - c. How will power produced by "must-run" generators be considered in the competitive solicitation process?
  - d. Should the competitive solicitation percentage consist of block energy purchases, purchases shaped like the utility's load, or a combination thereof?
  - e. What are the characteristics of the power to be bid (peak/off-peak, energy/capacity, etc.)?
- 3. What transmission constraints have been identified or anticipated by the utilities that will affect delivery of competitively procured power?**
- a. To what extent would transmission constraints affect delivery of competitively procured power?
  - b. How and when could the constraints be resolved?
  - c. How will constraints be reflected in bid evaluation?
- 4. What issues will affect the participants to the competitive solicitation process?**
- a. How will potential suppliers become qualified participants in the competitive solicitation process?
  - b. Will potential suppliers be required to obtain authorization from the Commission?
  - c. Will potential suppliers be required to submit proposal fees or bonds?
  - d. How will utility affiliates be treated in the competitive solicitation process?
  - e. How will utility-owned generating units be treated in the competitive solicitation process?
  - f. Will the Commission keep a list of qualified suppliers?
- 5. How will the cost of procured power be recovered by the utility?**
- a. What will be the scope, terms, and effect of a utility's purchase power adjustment clause?
- 6. If a competitive bid process is adopted, will least-cost planning be used for the evaluation of all competitive bids?**
- a. If not, how will the bids be evaluated?

- b. Will a least-cost planning framework be used to evaluate the benefits of more transmission given the location of existing and planned generating units?

**7. How will the potential for the exercise of market power be assessed for competitive bids, in order to determine whether or not the bids are reasonably competitive?**

- a. If there are not enough competitive bids, will there be a re-bid?
- b. Will the utilities be obligated to calculate a price baseline derived from a least-cost plan consisting of self-built generation at regulated prices in order to determine if the "competitive" bids are likely to save ratepayers money?